

CIRAF PRIMER FOR STAKEHOLDERS

8 April 2019

Introducing the Cobalt Industry Responsible Assessment Framework (CIRAF)

In January 2019 the CIRAF was launched with several Cobalt Institute (CI) members beginning adoption of the framework.

The CIRAF makes ethical and sustainable risk assessment and mitigation in cobalt production easier and more consistent across the industry while also aligning the process with the leading global standard on responsible mineral supply chains; the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas.

Initial engagements have taken place with the stakeholder community and key standards setting bodies, and further consultation will aim to take place including with the Responsible Minerals Initiative (RMI) and the OECD.

Through the first year of CIRAF's implementation further consultation will be undertaken as the initiative goes in to practice. We look forward to a productive and collaborative relationship with the stakeholder community.

What is CIRAF

The CIRAF is the culmination of an 18-month collaborative project between the CI, the CI's Responsible Sourcing Task Group (RSTG), and leading responsible sourcing consultancy, RCS Global.

Responsible and sustainable production practices have been at the top of the agenda for many large-scale mining companies (LSM) since the late 1990s and responsible mining programs have been developed collectively to help improve public awareness, address concern for occupational health & safety, the environment and introduce the broader concept of sustainability.

The CIRAF builds on this commitment, helps to consolidate action being taken, and enables participants, and the cobalt industry more generally, to conduct enhanced risk management in line with industry good practice and internationally-recognised standards focused on the responsible production and sourcing of minerals.

The CIRAF project seeks to:

1. Identify material risks within the cobalt sector for CIRAF participants as well as their customers;
2. Provide a good practice based framework that will provide guidance to CIRAF participants on how to respond to core risks and report on existing responses with a degree of flexibility that is most appropriate for their operations;
3. Ensure the framework is credible, well-managed and accepted by stakeholders.

The CIRAF is not a certification or audit program. At present the CIRAF is a reporting framework and management tool. The Cobalt Institute will not hold an accreditation role and will not provide certification to the companies fulfilling CIRAF's requirements.

It remains the individual company's responsibility to demonstrate responsible production/sourcing. However, companies will be able to reference the CIRAF conformance level achieved in their public reporting on CIRAF.

Consolidating action, delivering sustainability

By providing a good practice framework on how to respond to nine priority risk areas encompassed within four risk categories (see below), the CIRAF will consolidate due diligence action being taken by companies across the cobalt industry to demonstrate good practice and meet the expectations of civil society, the media, the cobalt market. As such, the CIRAF provides a unified yet flexible approach towards sustainable cobalt production and sourcing.

The project will further underpin the CI's longstanding commitment to the responsible production and use of cobalt in all forms and our position as a leading industry voice on good practice in this regard.

Priority risk areas in scope of CIRAF

The CIRAF supports greater alignment in approaches to risk identification, assessment and mitigation across the industry while incorporating leading international standards on responsible mineral supply chains including the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas (OECD DDG) in regard to the risk category of Human Rights¹.

The Framework is designed to be applied at a global level as per the OECD DDG and its Annex II Risks. It provides a management framework for identifying risk to companies producing and/or sourcing from high-risk countries as well as companies not operating in/sourcing from high-risk countries.

The CIRAF provides a management framework to participants on how to respond to and manage four risk categories and nine risk areas.

The CIRAF participants must identify which risk categories and risks apply to their operations based on a materiality assessment (see below). As a baseline requirement, participants must obtain third party assurance of their policy and due diligence management system for the Human Rights category.

The 4 risks categories encompass:

1. Environment (air/water/soil environmental impacts and biodiversity impacts)
2. Occupational Health and Safety (OHS and working conditions)
3. Human Rights (as defined in Annex II of the OECD DDG: conflict and corruption, human rights impacts and child labour)
4. Community (ASM, livelihoods and resettlement)

Within these groupings, a complete spectrum of responsible production and sourcing issues is covered, ensuring the industry has the operational guidance and a management framework in place to establish itself as one of the most progressive and responsible natural resource industries in the sector.

The risk areas covered by the CIRAF meet and/or exceed market expectations through alignment with the OECD DDG Annex II risks. Further engagement is planned to align with the RMI's Risk Readiness Assessment (RRA) tool.

¹ Annex II of the OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas, Third Edition.

Implementing CIRAF

For the identified material risks, CIRAF participants undertake an annual assessment of their operations and supply chain where applicable.

Relevant documentation to show the presence of a policy and due diligence management system to manage those risks and the demonstration of how existing responsible production and sourcing standards are being applied should then be made publicly available.

CIRAF participants must also publish a summary of the risk assessment and related activities on an annual basis.

Adopting CIRAF

In year one of the CIRAF, adoption will be monitored and reviewed by the Cobalt Institute and RCS Global.

Participating companies have commenced implementing the CIRAF in early 2019 and during this phase any adjustments will be made to the framework following the learnings from the initial implementation phase.

The CIRAF will be open to participation by companies from outside the CI membership.

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ANNEX

CIRAF Q&A

1. If a company does not operate or source from the DRC, should it still participate in CIRAF?

- Yes, the CIRAF is designed to apply at a global level as per the OECD DDG. It provides a management framework for identifying and addressing risks linked to both production and/or sourcing from high-risk countries as well as not operating in / sourcing from high-risk countries.

2. Not all cobalt is found in high-risk and conflict-affected areas. Is the expectation for the OECD DDG to be applied in low risk areas?

- The expectation is on companies to have a due diligence management system in place that allows them to identify and assess risks in their cobalt supply chain including whether or not they actually source from conflict-affected and high-risk areas.
- The OECD DDG, which has global applicability, provides a good practice standard (Five-Step Framework for Risk-Based Due Diligence) for such a management system. The management system (policies, processes and tools) should include a methodology to define conflict-affected and high-risk areas and allow companies to map and assess their cobalt supply chain against all Annex II risks - including child labour - to be fully aligned with the OECD DDG.

3. Is participation in the CIRAF limited to Large-Scale Mining (LSM)?

- No, any company (including *legitimate* ASM) would be able to participate in the CIRAF if they can show the same documentation (e.g. Statement of Commitment, annual reporting etc.) required for all participants.

4. Why is there no third-party assurance for other risks while one is required for Human Rights under the CIRAF?

- Third party assurance of company due diligence management systems for Human Rights has been included in the CIRAF because it is a market expectation.
- Other risk areas may or may not be subject to third party assurance based on the kind of responsible sourcing / production standards CIRAF members already apply.

5. Why are conflict and corruption included as a risk when cobalt has not been designated as a conflict mineral?

- It is correct that under the established Section 1502 of the Dodd-Frank Wall Street Reform and Consumer Protection Act and the EU Regulation 2017/821, cobalt is not categorised as a conflict mineral.
- However, risks related to conflict and corruption as defined under conflict minerals laws do affect significant parts of the ASM cobalt sector, specifically in high-risk states such as the Democratic Republic of the Congo (DRC).
- Moreover, some large downstream cobalt buyers have begun to categorise cobalt as a conflict mineral within their own due diligence systems.
- As one of the primary functions of CIRAF is to align the cobalt industry's reporting standards with downstream legal and commercial expectations, it is prudent to include these risk areas as reputational

risks for brand companies increase.

6. Who has the responsibility to ensure conformance with the CIRAF?

- It is the individual responsibility of CIRAF participating companies to implement the CIRAF and make publicly available information on how they are addressing material CIRAF risk areas in their cobalt operations and/or supply chain.

7. Is the CIRAF expected to be applied at the company level, site level or both? And will the CIRAF also need to be applied to suppliers?

- The CIRAF is only applicable to a company's specific cobalt operations not its headquarters or operations in other materials.
- Although the CIRAF should be implemented at site level to the extent possible, some policies and management systems originate from the corporate level. The CIRAF recognises the application of corporate level policies and management systems at site level in the absence of a site-specific policy or management system.
- With regard to suppliers, some CIRAF participants operate in or source from potential 'high-risk countries' while others do not. This means that certain priority risk areas will apply only to CIRAF participants' own operations, while others will also apply to their suppliers across multiple tiers down to the mine site.
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8. Does the Cobalt Institute plan to publish or make available the results to the self-assessments conducted by members?

- The CI will not be publishing the participating companies' self-assessment reports. It is the individual responsibility of CIRAF participants to demonstrate that they have done their due diligence. Transparent reporting will be key and the report must be published or made publicly available on the company's website by the company itself.
- The CIRAF provides reporting tools for participants to use that have been designed to help meet the necessary standards of reporting. There is a tool for Producers (miners) and for Buyers (e.g. traders, smelters, refiners, processors) recognising that Buyers will have broader reporting needs due their position in the supply chain (reporting on both operations and supply chain).

9. Does the CIRAF offer an external stakeholder feedback or consultation facility?

- Yes the CIRAF will be inviting input from stakeholder throughout the first year of implementation. Various stakeholders will also be invited to join an informal Stakeholder Dialogue Group that will review and discuss CIRAF progress through 2019.
- To contact the CIRAF with questions or comments regarding the CIRAF or CIRAF consultation opportunities please email: ciraf@cobaltinstitute.org

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